

## Message Text

UNCLASSIFIED

PAGE 01 TORONT 00513 051631Z

44

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 /106 W

----- 074447

R 051330Z MAY 76

FM AMCONSUL TORONTO

TO SECSTATE WASHDC 3506

INFO AMEMBASSY OTTAWA

ALL CONSULATES GENERAL IN CANADA

UNCLAS TORONTO 0513

E.O. 11652: N/A

TAGS: ENRG, ETRD, PINT, CA

SUBJECT: ONTARIO PROPOSAL FOR BLENDED CRUDE OIL PRICING

REF: TORONTO A-22

1. ONTARIO PROPOSAL FOR BLENDED CRUDE OIL PRICING, FIRST GIVEN TO FEDERAL AND PROVINCIAL GOVERNMENTS AT MARCH 22 DEPUTY MINISTERS' MEETING IN OTTAWA, RELEASED TO THE PRESS IN APRIL AND CONTINUES AS KEYSTONE OF ONTARIO ENERGY PROGRAM WHICH SHOULD BE EVIDENCED AT THIS WEEK'S FIRST MINISTERS' MEETING IN OTTAWA.

2. PROPOSAL CONSIDERS THREE COMPONENTS TO OIL PRICING: OLD OIL, NEW OIL DISCOVERED AFTER APRIL 1, 1974 OR PRODUCED BY AN ENHANCED RECOVERY SCHEME IMPLEMENTED AFTER JANUARY 1, 1974 AND IMPORTED CRUDE OIL AT INTERNATIONAL PRICE LEVELS. THE PROPOSAL RECOGNIZES TWO OR MORE PRICES FOR NEW OIL AND INCLUDES IN QUOTE BLEMDING FUND UNQUOTE TO COMPENSATE REFINERS OF HIGHER PRICED IMPORTERS OIL, NOT ONLY PAYMENTS MADE BY REFINERS OF CHEAPER OLD OIL (TO BRING THEIR OVERALL PRICE TO "CANADAIN BLENDED PRICE") BUT ALSO REVENUES FROM EXPORT LEVY ON CRUDE OIL AND EXCISE TAX ON MOTOR GASOLINE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TORONT 00513 051631Z

3. ONTARIO CONCEPT BEST EXPLAINED BY FOLLOWING EXCERPT FROM  
APRIL 20 SPEECH ONTARIO ENERGY MINISTER TIMBRELL:

QUOTE THESE THREE PRICES WOULD BE BLENDED. IN OTHER WORDS,  
THE VOLUME OF OIL FROM EACH OF THESE SOURCES WOULD BE  
MULTIPLIES BY THE PRICE FROM THAT SOURCE AND ONE PRICE  
--A WEIGHTED AVERAGE PRICE -- WOULD RESULT. THIS  
AVERAGE PRICE WOULD BE REDUCED BY THE AMOUNT OF REVENUES  
RECEIVED BY OTTAWA BY THE FEDERAL EXPORT LEVY ON CRUDE  
OIL AND THE TEN CENTS PER GALLON EXCISE TAX. THE RESULT  
WOULD BE THE BLEMDDED PRICE. THIS PRICE WOULD BE THE  
AMOUNT PAID BY THE REFINERIES AND WOULD RESULT IN EQUALIZ-  
ING THE PRICE OF CRUDE OIL, OTHER THAN DIFFERENCES  
INGERENT IN TRASNPORATION COSTS IN ALL PARTS OF CANADA,  
AND THAT COST TO THE REFINERS, AND SO TO THE CONSUMERS,  
WOULD BE RELATED TO THE COST OF PRODUCING THAT CRUDE  
OIL. UNQUOTE

4. THE PROPOSAL EVISIONS THAT THE NATURAL GAS PRICE AT TORONTO  
WOULD NOT BE INCREASED OVER THE PRESENT 85 PERCENTOF THE ENERGY  
EQUIVALENT CRUDE OIL PRICE.

5. THE ONTARIO SCHEME ALLEGEDLY HAD THE SUPPORT OF MANITOBA AT THE  
MARCH 22 MEETING AND "THE INTEREST OF SEVERAL OTHER GOVERNMENTS."  
THE GOVERNMENT PROPOSAL WAS SHARPLY CRITICIZED BY THE OPPOSITION  
NDP RPT NDP IN THE PROVINCIAL LEGISLATURE ON MAY 3 AND WAS  
FORCEFULLY DEFENDED BY ONTARIO PREMIER DAVIS. OIL PROVIDES 40  
PERCENT OF ONTARIO ENERGY NEEDS AND 24 PERCENT IS SUPPLIED BY  
NATURAL GAS. THE PROVINCE IS DEPENDENT ON ENTRA-PROVINCIAL ENERGY  
SOURCES FOR 80 PERCENT OF ITS NEEDS. THE PRESENT OIL PRICING  
ARRANGEMENT, DESCRIBED BY MINISTER TIMBRELL AS "PERIODICALLY AND  
ARBITRARILY INCREASING THE PRICE AND TAKING AWAY TOO MUCH OF INCREASE  
S  
IN THE FORM OF ROYALTIES AND TAXES" IS CONSIDERED BY ONTARIO NOT  
A "POLICY AT ALL" BUT "MERELY AN EXPEDIENT."

6. WHILE SOME DEFENDERS OF THE ONTARIO BLENDED PRICE PROPOSAL HAVE  
USED THE U.S. MIXED PRICING SYSTEM AS AN EXAMPLE OF THE PRACTICALITY  
OF THE CONCEPT, THE FORMAL ONTARIO PROPOSAL STATES "THE COMPLEX  
SYSTEM OPERATING NOW IN THE U.S. IS NOT CONSIDERED TO BE A MODEL UPON  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TORONT 00513 051631Z

WHICH THE CANADAIN SYSTEM SHOULD BE BASED. FOR INSTANCE, IT IS NOT  
PROPOSED THAT A METHOD OF GRADUALLY RECLASSIFYING OLD OIL INTO  
NEW OIL BE ADOPTED. OLD OIL, AS DEFINED, WOULD REMAIN OLD OIL."

7. COPIES OF THE ONTARIO PROPOSAL ARE BEING SUBMITTED UNDER COVER  
OF AIRGRAM.  
YLITALO

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM PRODUCTS, ENERGY, PROPOSALS (BID), PRICES, EXPORT CONTROLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 MAY 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976TORONT00513  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760173-0326  
**From:** TORONTO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760586/aaaacwcn.tel  
**Line Count:** 114  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 TORONTO A-22  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** schwenja  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 JUN 2004 by wolfsd>; APPROVED <09 SEP 2004 by schwenja>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ONTARIO PROPOSAL FOR BLENDED CRUDE OIL PRICING  
**TAGS:** ENRG, ETRD, PINT, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006